

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	13-14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Position	G	21
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	24
Statement of Changes in Fiduciary Net Position	K	25
Notes to Financial Statements		26-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of the District's Proportionate Share of the Net Pension Liability		44
Schedule of District Contributions		45
Notes to Required Supplementary Information - Pension Liability		46-47
Schedule of Funding Progress for the Retiree Health Plan		48
	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51
Nonmajor Enterprise Funds:		
Combining Schedule of Net Position	3	52
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	4	53
Combining Schedule of Cash Flows	5	54
Capital Project Accounts:		
Combining Balance Sheet	6	55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	7	56
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	8	57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9	58
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		59-60
Schedule of Findings and Responses		61-63

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Will Johnston	President	2017
Joely Swenson	Vice President	2015
Marie Johnson	Board Member	2017
Mike Grove	Board Member	2015
Kempton Young (resigned May 2014)	Board Member	2015
Amber Van DE Pol (appointed 5/5/2014)	Board Member	2015
School Officials		
Ken Howard	Superintendent	
Susan Headley	District Secretary/Treasurer	

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of
South Hamilton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities the discretely presented component unit, each major fund and the aggregate remaining fund information of South Hamilton Community School District, Jewell, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Hamilton Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, South Hamilton Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial

Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Hamilton Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2016 on our consideration of South Hamilton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Hamilton Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 12, 2016

**South Hamilton Community Schools
Management Discussion & Analysis
FY 2015**

Management of the South Hamilton Community School District provides this Management's Discussion and Analysis of the South Hamilton Community School District. This narrative overview analysis of the financial activities of the South Hamilton Community School District is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FY 2015 Financial Highlights

- General Fund revenues decreased from \$7,199,617 in fiscal year 2014 to \$7,178,759 in fiscal year 2015, while General Fund expenditures increased from \$7,820,347 in FY 2014 to \$7,970,488 in FY 2015. This indicates that the District's General Fund balance decreased from \$1,638,105 at the end of Fiscal year 2014 to \$847,215 at the end of FY 2015, a decrease of \$790,890.
- The district's solvency ratio decreased from 16.62% at June 30, 2014 to 4.83% at June 30, 2015.
- The district's unspent balance (spending authority) decreased from \$1,015,067 at June 30, 2014, to \$570,777 at June 30, 2015.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of South Hamilton Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Hamilton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which South Hamilton Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the non-major governmental funds.

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position

includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net Position – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether our financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and the agri. science tech student construction program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Agri. Science Tech Student Construction Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Condensed Statement of Net Position

Figure A-3

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)	2014-2015
Current and other assets	\$7,408,424	\$7,299,051	\$44,127	\$52,170	\$7,452,551	\$7,351,221	1%
Capital assets	\$7,519,206	\$7,675,623	\$179,265	\$177,389	\$7,698,471	\$7,853,012	-2%
Total Assets	\$14,927,630	\$14,974,674	\$223,392	\$229,559	\$15,151,022	\$15,204,233	<-1%
Deferred outflows of resources	664,184	\$0	\$20,119	\$0	\$684,303	\$0	100%
Long-term liabilities	\$3,307,632	\$996,057	\$107,111	\$18,550	\$3,414,743	\$1,014,607	237%
Other liabilities	\$988,122	\$777,118	\$478	\$58	\$988,600	\$777,176	27%
Total liabilities	\$4,295,754	\$1,773,175	\$107,589	\$18,608	\$4,403,343	\$1,791,783	146%
Deferred inflows of resources	\$4,444,916	3,285,010	\$41,597	6,791	\$4,486,513	3,291,801	36%
Net Position:							
Net investment in capital							
Assets	\$7,259,206	\$7,180,623	\$179,265	\$177,389	\$7,438,471	\$7,358,012	1%
Restricted	\$2,345,555	\$1,668,112	\$0	\$0	\$2,345,555	\$1,668,112	41%
Unrestricted	\$(2,753,617)	\$1,067,754	\$(84,940)	\$26,771	\$(2,838,557)	\$1,094,525	-359%
TOTAL NET POSITION	\$6,851,144	\$9,916,489	\$94,325	\$204,160	\$6,945,469	\$10,120,649	-31%

The District's overall financial position continued to deteriorate due to inadequate SSA – State Supplemental Aid (“general use aid”) - increases over the last three fiscal years and the fact that the majority of any increased state funding has been designated for limited restricted uses. Furthermore, the District has experienced a slight decline in enrollment and the general costs of operation continue to increase. The district's current fiscal status and projections dictate diligent financial planning and cost reductions practiced in the short and long-term.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$677,443 over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$3,933,082. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,393,480 and \$102,790, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Changes in Net Assets.

Figure A-4

	Governmental Activities		Business-type Activities		Total School District		%
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	Change
Revenues							
Program Revenues							
Charges for services	\$1,254,102	\$ 1,324,819	\$258,642	\$274,170	\$1,512,744	\$1,598,989	-5%
Operating Grants & Contributions	\$1,043,797	\$1,022,971	\$185,660	\$176,854	\$1,229,457	\$1,199,825	2%
Capital Grants & Contributions	\$0	\$4,447	\$0	\$0	\$0	\$4,447	-100%
Property taxes & other taxes	\$4,254,046	\$4,427,844	\$0	\$0	\$4,254,046	\$4,427,844	-4%
Unrestricted state aid	\$2,634,266	\$2,558,342	\$0	\$0	\$2,634,266	\$2,558,342	3%
Other	\$223,256	\$10,185	\$16,255	\$7	\$239,511	\$ 10,192	2250%
Total Revenues	\$9,409,467	\$9,348,608	\$460,557	\$451,031	\$9,870,024	\$9,799,639	1%
Expenses							
Instruction	\$5,923,627	\$5,209,620	\$0	\$0	\$5,923,627	\$5,209,620	14%
Pupil & Instructional Svcs	\$639,516	\$726,465	\$0	\$0	\$639,516	\$726,465	-12%
Administrative & Business	\$733,566	\$731,478	\$0	\$0	\$733,566	\$731,478	<1%
Maintenance & Operations	\$668,469	\$653,501	\$0	\$0	\$668,469	\$653,501	2%
Transportation	\$346,403	\$386,139	\$0	\$0	\$346,403	\$386,139	-10%
Non-instructional Programs	\$0	\$0	\$467,602	\$434,523	\$467,602	\$434,523	8%
Other	\$769,751	\$771,781	\$0	\$0	\$769,751	\$771,781	<-1%
Total Expenses	\$9,081,332	\$8,478,984	\$467,602	\$434,523	\$9,548,934	\$8,913,507	7%
Increase (decrease) in net position	\$328,135	\$869,624	\$(7,045)	\$16,508	\$321,090	\$886,132	-64%

As shown in figure A-4 the District as a whole experienced a 1% increase in revenues and a 7% increase in expenditures. The District continued to experience a rapid increase in staffing costs.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Net Cost of Governmental Activities
Figure A-5

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	% Change	2015	2014 (Not restated)	% Change
Instruction	\$5,923,627	\$5,209,620	14%	\$3,931,283	\$3,234,166	22%
Pupil & Instructional Services	\$639,516	\$726,465	-12%	\$639,516	\$658,700	-3%
Administrative & Business	\$733,566	\$731,478	<1%	\$733,566	\$731,478	<1%
Maintenance & Operations	\$668,469	\$653,501	2%	\$637,998	\$624,329	2%
Transportation	\$346,403	\$386,139	-10%	\$346,403	\$386,139	-10%
Non-instructional programs	\$0	\$0	0%	\$0	\$0	0%
Other	\$769,751	\$771,781	<-1%	\$494,667	\$491,935	1%
TOTAL	\$9,081,332	\$8,478,984	7%	\$6,783,433	\$6,126,747	11%

- The cost of all governmental activities this year was \$9,081,332.
- The portion of the cost financed by users of the District's programs was \$1,512,744 that represents tuition from other schools, charges to other schools for shared employees, revenues from extra-curricular student activities and student registration fees.
- The federal and state government and private contributors subsidized certain programs with grants and contributions totaling \$1,229,457.
- The net cost portion of governmental activities was financed with \$3,275,460 in property tax, \$2,634,266 in unrestricted state aid, \$617,974 in sales tax, \$360,612 income surtax, and \$5,062 in interest income.

Business-Type Activities

Revenues of the District's business-type activities totaled \$460,557 while expenses totaled \$467,602. The District's business-type activities include the School Nutrition Fund and the Ag Technology Enterprise Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Individual Fund Analysis

As previously noted, the South Hamilton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,711,680, down from last year's ending fund balances of \$2,925,751.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,638,105 in FY14 to \$847,215 in FY15.

- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. Balances in the Capital Projects Fund must be used for future capital improvements and equipment purchases.
- The sales tax account balance increased from \$553,935 at June 30, 2014 to \$1,123,020 at June 30, 2015.
- The Physical Plant and Equipment Levy (PPEL) account balance decreased from \$243,251 in FY2014 to \$19,530 in FY2015.

Proprietary Fund Highlights

The district has been reviewing its meal pricing and implementing measures to continue to control labor and food costs in the Nutrition Fund. The measures taken since the data included in this audit report was collected have shown to be effective as the district strives to control costs within the Nutrition Fund.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis. Over the course of the year, the District adopted one budget amendment that reallocated budgeted expenditures among the functions, but did not change total budgeted expenditures.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Capital Asset and Debt Administration

Capital Assets

By the end of the fiscal year 2015, the District had invested \$7,698,471, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. This amount represents a net decrease of 2 percent from last year. (See exhibit below).

Capital Assets (net of depreciation)

Figure A-6	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2014 to 2015
	2015	2014	2015	2014	2015	2014	
Land	\$39,301	\$39,301			\$39,301	\$39,301	0%
Construction in progress	\$0	\$0	\$0	\$0	\$0	\$0	0%
Buildings & Other Improvements	\$6,195,934	\$6,135,716	\$0	\$0	\$6,195,934	\$6,135,716	1%
Improvements other than buildings	\$470,606	\$518,276	\$0	\$0	\$470,606	\$518,276	-9%
Equipment & Furniture	\$813,365	\$982,330	\$179,265	\$177,389	\$992,630	\$1,159,719	-14 %
TOTAL	\$7,519,206	\$7,675,623	\$179,265	\$177,389	\$7,698,471	\$7,853,012	-2%

Long-Term Debt

At year-end, the district had \$135,000 of general obligation bonds outstanding. This represents a decrease of 73% percent from last year. This debt is related to a \$5,000,000 bond issue approved by the voters on December 2, 1997 for the new elementary school building.

The District general obligation bonds are rated Aa3 and AA-. These ratings are assigned by national rating agencies to the District's debt since 2008.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$13 million.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2015	2014	2014-2015
Governmental activities:	\$	\$	%
General obligation bonds	\$135,000	\$495,000	-73%
Note payable	\$125,000	\$250,000	-50%
Termination benefits	\$18,500	\$60,500	-69%
Net OPEB liability	\$237,320	\$209,107	13%
	<u>\$515,820</u>	<u>\$1,014,607</u>	<u>-49%</u>
Business type activities:			
Net OPEB liability	<u>\$22,542</u>	<u>\$18,550</u>	<u>22%</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Trend line data shows the district's student enrollment numbers to be steady and projected to continue a similar trend.
- The South Hamilton Community Schools has maintained a long history of receiving a significant number of students "open enrolled into" the district from the surrounding area. The substantially higher number of students "open enrolling in vs. those choosing to open enroll out" yields positive gains as per South Hamilton student enrollment and the accompanying funds the district receives for their attendance.
- The communities and surrounding area that make up the South Hamilton Community School District have demonstrated strong support for their schools and the local educational system. As an example, on Tuesday, September 8, 2015 the district's stakeholders overwhelmingly approved a Bond Referendum of \$9.9 million dollars and ratified a ten-year extension of a Voter Approved Physical Plant Levy of \$1 per thousand TAV to update, repair and maintain the district's facilities.
- The state of Iowa's current trend to provide limited and inadequate annual educational funding, in addition to, its more common practice to designate most all new funding in a restricted manner.
- The overall national, state, and local economic climates are extremely challenging to all entities, including public schools that are dependent on state funds.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Susan L. Headley, Board Secretary/Business Manager
or Ken Howard, Superintendent
South Hamilton Community Schools
315 Division Street
Jewell, IA 50130
515-827-5671

BASIC FINANCIAL STATEMENTS

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total	Component Unit South Hamilton Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	3,409,124	18,080	3,427,204	352,416
Receivables:				
Property tax:				
Delinquent	26,391	-	26,391	-
Succeeding year	3,380,200	-	3,380,200	-
Accounts	2,564	2,310	4,874	-
Internal balances	3,220	(3,220)	-	-
Due from other governments	586,925	-	586,925	-
Inventories	-	26,957	26,957	-
Capital assets, net of accumulated depreciation	7,519,206	179,265	7,698,471	-
Total assets	14,927,630	223,392	15,151,022	352,416
Deferred Outflows of Resources				
Pension related deferred outflows	664,184	20,119	684,303	-
Liabilities				
Accounts payable	247,166	478	247,644	-
Salaries and benefits payable	739,516	-	739,516	-
Accrued interest payable	1,440	-	1,440	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	135,000	-	135,000	-
Notes payable	125,000	-	125,000	-
Termination benefits	18,500	-	18,500	-
Portion due after one year:				
Net pension liability	2,791,812	84,565	2,876,377	-
Net OPEB liability	237,320	22,546	259,866	-
Total liabilities	4,295,754	107,589	4,403,343	-
Deferred Inflows of Resources:				
Succeeding year property tax	3,380,200	-	3,380,200	-
Pension related deferred inflows	1,064,716	32,251	1,096,967	-
Other	-	9,346	9,346	-
Total deferred inflows of resources	4,444,916	41,597	4,486,513	-

See notes to financial statements.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total	Component Unit South Hamilton Community School District Foundation
	\$	\$	\$	\$
Net position				
Net investment in capital assets	7,259,206	179,265	7,438,471	-
Restricted for:				
Categorical funding	501,030	-	501,030	-
Management levy	613,137	-	613,137	-
Physical plant and equipment levy	19,530	-	19,530	-
Student activities	63,200	-	63,200	-
School Infrastructure	1,123,020	-	1,123,020	-
Debt service	25,638	-	25,638	-
Unrestricted	(2,753,617)	(84,940)	(2,838,557)	352,416
Total net position	<u>6,851,144</u>	<u>94,325</u>	<u>6,945,469</u>	<u>352,416</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,787,870	909,192	662,068	-
Special	945,100	112,867	31,497	-
Other	1,190,657	201,572	75,148	-
	<u>5,923,627</u>	<u>1,223,631</u>	<u>768,713</u>	<u>-</u>
Support services:				
Student	179,989	-	-	-
Instructional staff	459,527	-	-	-
Administration	733,566	-	-	-
Operation and maintenance of plant	668,469	30,471	-	-
Transportation	346,403	-	-	-
	<u>2,387,954</u>	<u>30,471</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	219,487	-	-	-
Long-term debt interest	25,264	-	-	-
AEA flowthrough	275,084	-	275,084	-
Depreciation (unallocated)*	249,916	-	-	-
	<u>769,751</u>	<u>-</u>	<u>275,084</u>	<u>-</u>
Total governmental activities	<u>9,081,332</u>	<u>1,254,102</u>	<u>1,043,797</u>	<u>-</u>
Business type activities:				
Food service operations	455,358	247,947	185,660	-
Agri. science tech. student construction	12,244	10,695	-	-
Total business type activities	<u>467,602</u>	<u>258,642</u>	<u>185,660</u>	<u>-</u>
Total primary government	<u>9,548,934</u>	<u>1,512,744</u>	<u>1,229,457</u>	<u>-</u>
Component Unit:				
South Hamilton Community School District Foundation	49,232	16,827	16,177	-
Total	<u>9,598,166</u>	<u>1,529,571</u>	<u>1,245,634</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year (restated)

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(2,216,610)	-	(2,216,610)	-
(800,736)	-	(800,736)	-
(913,937)	-	(913,937)	-
(3,931,283)	-	(3,931,283)	-
(179,989)	-	(179,989)	-
(459,527)	-	(459,527)	-
(733,566)	-	(733,566)	-
(637,998)	-	(637,998)	-
(346,403)	-	(346,403)	-
(2,357,483)	-	(2,357,483)	-
(219,487)	-	(219,487)	-
(25,264)	-	(25,264)	-
-	-	-	-
(249,916)	-	(249,916)	-
(494,667)	-	(494,667)	-
(6,783,433)	-	(6,783,433)	-
-	(21,751)	(21,751)	-
-	(1,549)	(1,549)	-
-	(23,300)	(23,300)	-
(6,783,433)	(23,300)	(6,806,733)	-
-	-	-	(16,228)
(6,783,433)	(23,300)	(6,806,733)	(16,228)
2,544,229	-	2,544,229	-
377,591	-	377,591	-
353,640	-	353,640	-
360,612	-	360,612	-
617,974	-	617,974	-
2,634,266	-	2,634,266	-
5,062	8	5,070	3,574
218,194	16,247	234,441	-
7,111,568	16,255	7,127,823	3,574
328,135	(7,045)	321,090	(12,654)
6,523,009	101,370	6,624,379	365,070
6,851,144	94,325	6,945,469	352,416

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital	Management	Nonmajor	Total
	\$	Projects	\$	Governmental	\$
		\$		\$	
Assets					
Cash, cash equivalents and pooled investments	1,567,202	1,110,666	628,389	88,758	3,395,015
Receivables:					
Property tax:					
Delinquent	17,492	2,731	3,252	2,916	26,391
Succeeding year	2,629,054	361,084	249,999	140,063	3,380,200
Accounts	552	-	-	2,012	2,564
Interfund receivable	3,220	-	-	-	3,220
Due from other governments	490,740	96,185	-	-	586,925
Total assets	4,708,260	1,570,666	881,640	233,749	7,394,315
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	167,525	67,032	4	3,408	237,969
Salaries and benefits payable	739,516	-	-	-	739,516
Total liabilities	907,041	67,032	4	3,408	977,485
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,629,054	361,084	249,999	140,063	3,380,200
Income surtax	324,950	-	-	-	324,950
Total deferred inflows of resources	2,954,004	361,084	249,999	140,063	3,705,150
Fund balances:					
Restricted for:					
Categorical funding	501,030	-	-	-	501,030
Debt service	-	-	-	27,078	27,078
Management levy purposes	-	-	631,637	-	631,637
Student activities	-	-	-	63,200	63,200
School infrastructure	-	1,123,020	-	-	1,123,020
Physical plant and equipment	-	64,135	-	-	64,135
Unassigned	346,185	(44,605)	-	-	301,580
Total fund balances	847,215	1,142,550	631,637	90,278	2,711,680
Total liabilities, deferred inflows of resources and fund balances	4,708,260	1,570,666	881,640	233,749	7,394,315

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position

June 30, 2015

	\$
Total fund balances of governmental funds (Exhibit C)	2,711,680
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,519,206
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	324,950
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(1,440)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	4,912
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	664,184
Deferred inflows of resources	<u>(1,064,716)</u> (400,532)
Long-term liabilities, including bonds payable, capital leases payable, early retirement benefits, other postemployment benefits, and net pension liability are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(3,307,632)</u>
Net position of governmental activities (Exhibit A)	<u><u>6,851,144</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital Projects	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,491,665	353,640	398,741	377,591	3,621,637
Tuition	860,886	-	7,832	-	868,718
Other	154,991	1,794	-	192,454	349,239
State sources	3,553,784	620,395	1,839	2,586	4,178,604
Federal sources	117,433	-	-	-	117,433
Total revenues	<u>7,178,759</u>	<u>975,829</u>	<u>408,412</u>	<u>572,631</u>	<u>9,135,631</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,657,159	-	108,394	-	3,765,553
Special	936,546	-	-	-	936,546
Other	990,355	-	-	190,660	1,181,015
	<u>5,584,060</u>	<u>-</u>	<u>108,394</u>	<u>190,660</u>	<u>5,883,114</u>
Support services:					
Student	178,278	-	-	-	178,278
Instructional staff	336,341	-	-	-	336,341
Administration	719,598	8,800	-	-	728,398
Operation and maintenance of plant	590,300	16,199	52,853	-	659,352
Transportation	286,827	-	18,110	-	304,937
	<u>2,111,344</u>	<u>24,999</u>	<u>70,963</u>	<u>-</u>	<u>2,207,306</u>
Other expenditures:					
Facilities acquisition	-	483,105	-	-	483,105
Long-term debt:					
Principal	-	-	-	485,000	485,000
Interest and fiscal charges	-	-	-	28,107	28,107
AEA flowthrough	275,084	-	-	-	275,084
	<u>275,084</u>	<u>483,105</u>	<u>-</u>	<u>513,107</u>	<u>1,271,296</u>
Total expenditures	<u>7,970,488</u>	<u>508,104</u>	<u>179,357</u>	<u>703,767</u>	<u>9,361,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(791,729)</u>	<u>467,725</u>	<u>229,055</u>	<u>(131,136)</u>	<u>(226,085)</u>
Other financing sources (uses):					
Sales of materials and equipment	-	12,014	-	-	12,014
Transfers in	839	-	-	134,375	135,214
Transfers out	-	(134,375)	-	(839)	(135,214)
Total other financing sources (uses)	<u>839</u>	<u>(122,361)</u>	<u>-</u>	<u>133,536</u>	<u>12,014</u>
Change in fund balances	<u>(790,890)</u>	<u>345,364</u>	<u>229,055</u>	<u>2,400</u>	<u>(214,071)</u>
Fund balances beginning of year	<u>1,638,105</u>	<u>797,186</u>	<u>402,582</u>	<u>87,878</u>	<u>2,925,751</u>
Fund balances end of year	<u>847,215</u>	<u>1,142,550</u>	<u>631,637</u>	<u>90,278</u>	<u>2,711,680</u>

See notes to financial statements.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		(214,071)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	358,929	
Depreciation expense	<u>(515,346)</u>	(156,417)
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		14,435
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		485,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		2,843
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		429,129
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	42,000	
Pension expense	(227,993)	
Other postemployment benefits	<u>(46,763)</u>	(232,756)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(28)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>328,135</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2015

	Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	18,080	14,109
Accounts receivable	2,310	-
Inventories	26,957	-
Total current assets	47,347	14,109
Noncurrent assets:		
Capital assets, net of accumulated depreciation	179,265	-
Total assets	226,612	14,109
Deferred Outflows of Resources		
Pension related deferred outflows	20,119	-
Liabilities		
Current liabilities:		
Accounts payable	478	9,197
Interfund payable	3,220	-
Deferred revenue	9,346	-
Total current liabilities	13,044	9,197
Noncurrent liabilities:		
Net pension liability	84,565	-
Net OPEB liability	22,546	-
Total noncurrent liabilities	107,111	-
Total liabilities	120,155	9,197
Deferred Inflows of Resources		
Pension related deferred inflows	32,251	-
Net position		
Investment in capital assets	179,265	-
Unrestricted	(84,940)	4,912
Total net position	94,325	4,912

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2015

	Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	258,642	46,251
Operating expenses:		
Salaries	142,064	-
Benefits	66,744	46,279
Purchased services	804	-
Supplies	243,619	-
Depreciation	14,371	-
Total operating expenses	467,602	46,279
Operating income (loss)	(208,960)	(28)
Non-operating revenues:		
State sources	3,475	-
Federal sources	182,185	-
Interest income	8	-
Total non-operating revenues	185,668	-
Income (loss) before capital contributions	(23,292)	(28)
Capital contributions	16,247	-
Change in net position	(7,045)	(28)
Net position beginning of year (restated)	101,370	4,940
Net position end of year	94,325	4,912

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	249,634	-
Cash received from sale of services and equipment	10,255	-
Cash received from sale of services to other funds	-	46,251
Cash paid to employees for services	(210,905)	(45,681)
Cash paid to suppliers for goods or services	(204,889)	-
Net cash (used) provided by operating activities	<u>(155,905)</u>	<u>570</u>
Cash flows from non-capital financing activities:		
Loans from other funds	119	-
State grants received	3,475	-
Federal grants received	153,713	-
Net cash provided by non-capital financing activities	<u>157,307</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>8</u>	<u>-</u>
Net decrease in cash and cash equivalents	1,410	570
Cash and cash equivalents at beginning of year	<u>16,670</u>	<u>13,539</u>
Cash and cash equivalents at end of year	<u><u>18,080</u></u>	<u><u>14,109</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(208,960)	(28)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	28,472	-
Depreciation	14,371	-
Decrease (increase) in inventories	10,643	-
Decrease (increase) in accounts receivable	(1,308)	-
(Decrease) increase in accounts payable	419	598
Decrease in net pension liability	(30,685)	-
Increase in deferred outflows of resources	(7,659)	-
Increase in deferred inflows of resources	32,251	-
(Decrease) increase in deferred revenue	2,555	-
(Decrease) increase in other postemployment benefits	3,996	-
Net cash (used) provided by operating activities	<u><u>(155,905)</u></u>	<u><u>570</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$28,472 of federal commodities.

During the year ended June 30, 2015 the District acquired Nutrition Fund equipment paid for from another fund for \$16,247.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Fund

June 30, 2015

Private
Purpose
Trust
Scholarship
\$

Assets

Cash, cash equivalents and pooled investments

23,607

Liabilities-**Net Position**

Reserved for scholarships

23,607

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Fund

Year ended June 30, 2015

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,714
Interest	<u>2</u>
Total additions	3,716
Deductions:	
Support services:	
Scholarships awarded	<u>5,200</u>
Change in net position	(1,484)
Net position beginning of year	<u>25,091</u>
Net position end of year	<u><u>23,607</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

South Hamilton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Jewell, Ellsworth, Randall and Stanhope, Iowa and the predominately agricultural territory in a portion of Boone and Hamilton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, South Hamilton Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The South Hamilton Community School District Foundation is included in the financial statements, as required by section 11.6 of the Code of Iowa. The Foundation is the discreetly presented component unit.

The South Hamilton Community School District Foundation was established to maintain, develop, increase and extend the facilities and services of the South Hamilton Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the South Hamilton Community School District. Foundation financial statements are shown in the Statement of Net Position and the Statement of Activities in separate columns.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Fund is used to pay the costs of unemployment benefits; early retirement benefits; insurance agreements; the costs of liability insurance to protect the school districts from tort liability, loss of property; and judgments or settlements relating to such liability.

The District's non-major proprietary funds include the Enterprise School Nutrition Fund and the Enterprise Agricultural Science Technology Student Construction Fund. The Nutrition Fund is used to account for the food service operations of the District and the Agricultural Science Technology Student Construction Fund is used to account for student construction projects held for resale.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the

Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Intangibles	3-20 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015 expenditures did not exceed the amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Enterprise: School Nutrition	3,220

The General Fund has loaned the School Nutrition Fund money for cash flow.

4. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	134,375
General Fund	Activity Fund	839

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	39,301	-	-	39,301
Capital assets being depreciated:				
Buildings	9,974,509	262,464	-	10,236,973
Improvements other than buildings	1,077,889	-	-	1,077,889
Furniture and equipment	3,641,406	96,465	-	3,737,871
Total capital assets being deprec.	14,693,804	358,929	-	15,052,733
Less accumulated depreciation for:				
Buildings	3,838,793	202,246	-	4,041,039
Improvements other than buildings	559,613	47,670	-	607,283
Furniture and equipment	2,659,076	266,584	1,154	2,924,506
Total accumulated depreciation	7,057,482	516,500	1,154	7,572,828
Total capital assets being depreciated, net	7,636,322	(157,571)	(1,154)	7,479,905
Governmental activities capital assets, net	7,675,623	(157,571)	(1,154)	7,519,206
Business type activities:				
Furniture and equipment	328,363	16,247	-	344,610
Less accumulated depreciation	150,974	14,371	-	165,345
Business type activities capital assets, net	177,389	1,876	-	179,265

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	251
Other	5,080
Support services:	
Instructional staff	203,716
Administration	606
Operation and maintenance of plant services	16,036
Transportation	40,895
	266,584
Unallocated depreciation	249,916
Total depreciation expense . governmental activities	516,500

Business type activities:
Food services

14,371

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	495,000	-	360,000	135,000	135,000
Note Payable	250,000	-	125,000	125,000	125,000
Termination benefits	60,500	18,500	60,500	18,500	18,500
Net pension liability	3,804,828	-	1,013,016	2,791,812	-
Net OPEB liability	190,557	46,763	-	237,320	-
Total	<u>4,800,885</u>	<u>65,263</u>	<u>1,558,516</u>	<u>3,307,632</u>	<u>278,500</u>
Business type activities:					
Net pension liability	115,250	-	30,685	84,565	-
Net OPEB liability	18,550	3,992	-	22,542	-
	<u>133,800</u>	<u>3,992</u>	<u>30,685</u>	<u>107,107</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	3.75	<u>135,000</u>	<u>5,062</u>	<u>140,062</u>

Note Payable

The District has borrowed funds to purchase computers. The following is a schedule of future payments as of June 30, 2015.

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	3.75	<u>125,000</u>	<u>4,766</u>	<u>129,766</u>

Termination Benefits

The District offered a voluntary early retirement plan for employees for fiscal year 2015. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to \$500 per year of service to the District. Early retirement benefits will be paid in one lump sum in September 2015.

At June 30, 2015, the District has obligations to two participants with a total liability of \$18,500. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$60,500.

7. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 nor at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement. Death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS's Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year

amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$442,128.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$2,876,377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.072528 percent, which was an increase of 0.004254 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$234,899. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	31,261	-
Changes in assumptions	126,941	-
Net difference between projected and actual earnings on pension plan investments	-	1,096,967
Change in proportion and differences between District contributions and proportionate share of contributions	83,973	-
District contributions subsequent to the measurement date	442,128	-
Total	684,303	1,096,967

\$442,128 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
	\$
2016	330,825
2017	330,825
2018	330,825
2019	330,825
2020	15,842
Total	1,339,142

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%) \$	Discount Rate (7.5%) \$	1% Increase (8.5%) \$
District proportionate share of the net pension liability	5,434,834	2,876,377	716,775

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported payables to the defined benefit pension plan of \$1,995 for legally required employer contributions and \$1,330 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	61,406
Interest on net OPEB obligation	5,228
Adjustment to annual required contribution	(10,870)
Annual OPEB cost	55,764
Contributions made	5,009
Increase in net OPEB obligation	50,755
Net OPEB obligation beginning of year	209,107
Net OPEB obligation end of year	259,862

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$3,699 to the medical plan. Plan members eligible for benefits contributed \$25,825, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	46,630	22%	36,485
June 30, 2011	47,556	21%	73,998
June 30, 2012	51,216	18%	116,029
June 30, 2013	49,178	6%	162,348
June 30, 2014	50,458	7%	209,107
June 30, 2015	55,764	9%	259,862

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$388,913, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$388,913. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,530,000, and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

South Hamilton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes

liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$275,084 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
Early literacy	26,497
Teacher leadership	6,539
Teacher salary supplement	9,839
Home school assistance program	152,626
Educator quality, professional development	60,115
Core curriculum	68,950
At risk	12,806
ICCC tech grant	5,395
Teacher mentoring	4,289
Preschool	153,974
	<u>501,030</u>

12. Lease Commitment

The District entered into a five year contract to lease copiers in fiscal year 2013. The payments the District will make over the next three years are as follows:

Year Ended June 30	Lease Payment
	\$
2016	7,128
2017	7,128
2018	6,534

Lease payments of \$7,128 were made during fiscal year 2015.

13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No.

71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows.

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	9,916,489	204,160
Net pension liability at June 30, 2014	(3,804,829)	(115,250)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	411,349	12,460
Net position July 1, 2014, as restated	<u>6,523,009</u>	<u>101,370</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	4,839,594	258,650	5,098,244	5,969,907	5,969,907	(871,663)
State sources	4,178,604	3,475	4,182,079	3,715,112	3,715,112	466,967
Federal sources	117,433	182,185	299,618	335,000	335,000	(35,382)
Total revenues	<u>9,135,631</u>	<u>444,310</u>	<u>9,579,941</u>	<u>10,020,019</u>	<u>10,020,019</u>	<u>(440,078)</u>
Expenditures/Expenses:						
Instruction	5,883,114	-	5,883,114	6,775,000	6,775,000	891,886
Support services	2,207,306	-	2,207,306	2,280,000	2,280,000	72,694
Non-instructional programs	-	467,602	467,602	513,000	513,000	45,398
Other expenditures	1,271,296	-	1,271,296	1,759,539	1,759,539	488,243
Total expenditures/expenses	<u>9,361,716</u>	<u>467,602</u>	<u>9,829,318</u>	<u>11,327,539</u>	<u>11,327,539</u>	<u>1,498,221</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(226,085)	(23,292)	(249,377)	(1,307,520)	(1,307,520)	1,058,143
Other financing sources (uses) net	<u>12,014</u>	<u>16,247</u>	<u>28,261</u>	<u>-</u>	<u>-</u>	<u>28,261</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expense	(214,071)	(7,045)	(221,116)	(1,307,520)	(1,307,520)	1,086,404
Balance beginning of year	<u>2,925,751</u>	<u>101,370</u>	<u>3,027,121</u>	<u>1,864,955</u>	<u>1,864,955</u>	<u>1,162,166</u>
Balance end of year	<u><u>2,711,680</u></u>	<u><u>94,325</u></u>	<u><u>2,806,005</u></u>	<u><u>557,435</u></u>	<u><u>557,435</u></u>	<u><u>2,248,570</u></u>

See accompanying independent auditor's report

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.072528%
District's proportionate share of the net pension liability	2,876,377
District's covered-employee payroll	4,951,038
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.10%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District did not exceed its spending authority.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted by function.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	442,128	423,809	388,231	347,446	287,066	276,963	287,407	264,292	232,762	205,609
Contributions in relation to the statutorily required contribution	<u>(442,128)</u>	<u>(423,809)</u>	<u>(388,231)</u>	<u>(347,446)</u>	<u>(287,066)</u>	<u>(276,963)</u>	<u>(287,407)</u>	<u>(264,292)</u>	<u>(232,762)</u>	<u>(205,609)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	4,951,038	4,745,770	4,477,942	4,305,402	4,130,441	4,164,864	4,526,092	4,368,463	4,048,035	3,575,809
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.

- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.

- Adjusted male mortality rates for retirees in the Regular membership group.

- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.

- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.

- Modified retirement rates to reflect fewer retirements.

- Lowered disability rates at most ages.

- Lowered employment termination rates.

- Generally increased the probability of terminating members receiving a deferred retirement benefit.

- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	388,098	388,098	0.0%	3,960,000	9.8%
2011	July 1, 2009	-	388,318	388,318	0.0%	3,780,000	10.3%
2012	July 1, 2009	-	367,870	367,870	0.0%	3,830,000	9.6%
2013	July 1, 2012	-	417,266	417,266	0.0%	4,070,000	10.3%
2014	July 1, 2012	-	406,566	406,566	0.0%	4,360,000	9.3%
2015	July 1, 2012	-	388,913	388,913	0.0%	4,530,000	8.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Fund		
	Student Activity Fund	Debt Service	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	64,596	24,162	88,758
Receivables:			
Property tax:			
Succeeding year	-	142,979	142,979
Accounts	2,012	-	2,012
Total assets	66,608	167,141	233,749
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	3,408	-	3,408
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	140,063	140,063
Fund balances:			
Restricted for:			
Debt service	-	27,078	27,078
Student activities	63,200	-	63,200
Total fund balances	63,200	27,078	90,278
Total liabilities, deferred inflows of resources and fund balances	66,608	167,141	233,749

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue Fund		
	Student Activity Fund	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	377,591	377,591
Other	192,326	128	192,454
State sources	-	2,586	2,586
Total revenues	<u>192,326</u>	<u>380,305</u>	<u>572,631</u>
Expenditures:			
Current:			
Instruction:			
Other	190,660	-	190,660
Other expenditures:			
Long-term debt:			
Principal	-	485,000	485,000
Interest and fiscal charges	-	28,107	28,107
Total expenditures	<u>190,660</u>	<u>513,107</u>	<u>703,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,666</u>	<u>(132,802)</u>	<u>(131,136)</u>
Other financing sources (uses):			
Transfers in	-	134,375	134,375
Transfers out	(839)	-	(839)
Total other financing sources (uses)	<u>(839)</u>	<u>134,375</u>	<u>133,536</u>
Change in fund balance	827	1,573	2,400
Fund balances beginning of year	<u>62,373</u>	<u>25,505</u>	<u>87,878</u>
Fund balances end of year	<u><u>63,200</u></u>	<u><u>27,078</u></u>	<u><u>90,278</u></u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	15,969	2,111	18,080
Accounts receivable	1,630	680	2,310
Inventories	10,257	16,700	26,957
Capital assets, net of accumulated depreciation	179,265	-	179,265
Total assets	207,121	19,491	226,612
Deferred Outflows of Resources			
Pension related deferred outflows	20,119	-	20,119
Liabilities			
Accounts payable	423	55	478
Interfund payable	3,220	-	3,220
Deferred revenue	9,346	-	9,346
Net OPEB liability	22,546	-	22,546
Total liabilities	35,535	55	35,590
Deferred Inflows of Resources			
Net pension liability	84,565	-	84,565
Pension related deferred inflows	32,251	-	32,251
Total deferred inflows of resources	116,816	-	116,816
Net position			
Investment in capital assets	179,265	-	179,265
Unrestricted	(104,376)	19,436	(84,940)
Total net position	74,889	19,436	94,325

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2015

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	247,947	10,695	258,642
Operating expenses:			
Salaries	142,064	-	142,064
Benefits	66,744	-	66,744
Purchased services	804	-	804
Supplies	231,375	12,244	243,619
Depreciation	14,371	-	14,371
Total operating expenses	455,358	12,244	467,602
Operating income (loss)	(207,411)	(1,549)	(208,960)
Non-operating revenue:			
State sources	3,475	-	3,475
Federal sources	182,185	-	182,185
Interest income	8	-	8
Total non-operating revenue	185,668	-	185,668
Income (loss) before capital contributions	(21,743)	(1,549)	(23,292)
Capital contributions	16,247	-	16,247
Change in net position	(5,496)	(1,549)	(7,045)
Net position beginning of year (restated)	80,385	20,985	101,370
Net position end of year	74,889	19,436	94,325

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	249,634	-	249,634
Cash received from sale of services and equipment	-	10,255	10,255
Cash paid to employees for services	(210,905)	-	(210,905)
Cash paid to suppliers for goods or services	(193,142)	(11,747)	(204,889)
Net cash used by operating activities	<u>(154,413)</u>	<u>(1,492)</u>	<u>(155,905)</u>
Cash flows from non-capital financing activities:			
Loans from other funds	119	-	119
State grants received	3,475	-	3,475
Federal grants received	153,713	-	153,713
Net cash provided by non-capital financing activities	<u>157,307</u>	<u>-</u>	<u>157,307</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>8</u>	<u>-</u>	<u>8</u>
Net increase (decrease) in cash and cash equivalents	2,902	(1,492)	1,410
Cash and cash equivalents at beginning of year	<u>13,067</u>	<u>3,603</u>	<u>16,670</u>
Cash and cash equivalents at end of year	<u>15,969</u>	<u>2,111</u>	<u>18,080</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(207,411)	(1,549)	(208,960)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	28,472	-	28,472
Depreciation	14,371	-	14,371
Decrease (increase) in inventories	10,143	500	10,643
Decrease (increase) in accounts receivable	(868)	(440)	(1,308)
(Decrease) increase in accounts payable	422	(3)	419
Decrease in net pension liability	(30,685)	-	(30,685)
Increase in deferred outflows of resources	(7,659)	-	(7,659)
Increase in deferred inflows of resources	32,251	-	32,251
(Decrease) increase in deferred revenue	2,555	-	2,555
(Decrease) increase in other postemployment benefits	3,996	-	3,996
Net cash used by operating activities	<u>(154,413)</u>	<u>(1,492)</u>	<u>(155,905)</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	1,026,835	83,831	1,110,666
Receivables:			
Property tax:			
Succeeding year	-	363,815	363,815
Due from other governments	96,185	-	96,185
Total assets	1,123,020	447,646	1,570,666
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	-	67,032	67,032
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	361,084	361,084
Fund balances:			
Restricted for:			
School infrastructure	1,123,020	-	1,123,020
Physical plant and equipment	-	64,135	64,135
Unassigned	-	(44,605)	(44,605)
Total fund balances	1,123,020	19,530	1,142,550
Total liabilities, deferred inflows of resources and fund balances	1,123,020	447,646	1,570,666

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	353,640	353,640
Other	1,267	527	1,794
State sources	617,974	2,421	620,395
Total revenues	<u>619,241</u>	<u>356,588</u>	<u>975,829</u>
Expenditures:			
Current:			
Support services:			
Administration services	-	8,800	8,800
Operation and maintenance of plant	-	16,199	16,199
Other expenditures:			
Facilities acquisition	50,156	432,949	483,105
Total expenditures	<u>50,156</u>	<u>457,948</u>	<u>508,104</u>
Excess (deficiency) of revenues over (under) expenditures	569,085	(101,360)	467,725
Other financing sources (uses):			
Sale of real property	-	12,014	12,014
Transfers out	-	(134,375)	(134,375)
Total other financing sources (uses)	<u>-</u>	<u>(122,361)</u>	<u>(122,361)</u>
Change in fund balance	569,085	(223,721)	345,364
Fund balances beginning of year	<u>553,935</u>	<u>243,251</u>	<u>797,186</u>
Fund balance end of year	<u>1,123,020</u>	<u>19,530</u>	<u>1,142,550</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Dramatics	106	4,697	3,812	-	991
FFA	6,198	35,136	31,791	-	9,543
Technology club	120	-	120	-	-
Student council	681	7,052	7,256	-	477
National Honor Society	369	908	372	-	905
Spanish club	286	-	286	-	-
Yearbook	4,745	8,016	6,864	-	5,897
Hamilton holidays	8,082	-	-	-	8,082
Athletics	3,703	69,586	70,150	-	3,139
Concessions	1,005	41,032	30,592	(234)	11,211
Dance/drill team	23,685	5,306	18,349	-	10,642
District football	427	-	200	-	227
Class of 2015	-	2,900	2,900	-	-
Swing choir	48	-	-	-	48
H.S. band	1,560	-	-	-	1,560
Elementary vocal	393	138	136	-	395
K-6 student council	5,631	1,816	2,343	-	5,104
5th grade concessions	1,251	1,380	1,608	-	1,023
M.S. band	193	-	-	-	193
7-8 student council	14	1,900	2,148	234	-
Springbrook trip	-	1,738	1,738	-	-
Prom	3,779	10,625	10,784	-	3,620
Interest	97	96	50	-	143
Total	62,373	192,326	191,499	-	63,200

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,621,637	3,832,704	4,297,846	4,361,628	4,203,552	3,922,867	3,537,132	3,263,863	3,240,909	3,067,266
Tuition	868,718	908,575	716,628	674,172	720,069	740,360	747,184	887,860	721,140	236,917
Other	349,239	426,429	465,611	489,217	337,164	382,554	342,392	423,066	455,173	312,855
Intermediate sources	-	-	-	-	-	-	15,000	-	-	-
State sources	4,178,604	4,030,692	3,478,584	3,509,906	3,376,952	2,849,470	3,582,950	3,598,523	3,295,233	3,132,214
Federal sources	117,433	135,852	205,874	242,951	383,093	680,482	317,092	226,821	212,030	158,562
Total revenues	<u>9,135,631</u>	<u>9,334,252</u>	<u>9,164,543</u>	<u>9,277,874</u>	<u>9,020,830</u>	<u>8,575,733</u>	<u>8,541,750</u>	<u>8,400,133</u>	<u>7,924,485</u>	<u>6,907,814</u>
Expenditures:										
Instruction:										
Regular instruction	3,765,553	3,657,927	3,454,152	3,373,238	3,337,213	3,209,892	3,317,658	3,475,832	3,252,168	2,766,224
Special instruction	936,546	816,587	800,749	897,540	931,297	927,939	1,006,863	912,705	758,079	588,247
Other instruction	1,181,015	1,161,849	1,128,241	1,098,310	943,253	1,000,916	923,812	924,604	871,040	866,266
Support services:										
Student services	178,278	145,789	154,587	107,792	102,373	100,752	89,126	117,465	131,019	127,515
Instructional staff services	336,341	400,309	339,695	281,135	282,160	176,375	143,776	186,406	154,803	172,749
Administration services	728,398	732,733	671,442	649,012	604,310	577,836	611,443	617,842	596,473	621,724
Operation and maintenance	659,352	635,976	562,133	533,901	574,871	595,323	565,863	580,907	605,204	536,343
Transportation services	304,937	417,512	314,128	370,120	342,760	317,836	434,402	380,207	385,830	350,990
Non-instructional programs	-	-	-	6,562	-	-	-	2,973	-	-
Other expenditures:										
Facilities acquisition	483,105	269,291	1,079,164	1,348,482	228,281	239,073	651,266	542,784	174,814	467,133
Long-term debt:										
Principal	485,000	805,000	751,117	450,332	434,551	431,767	281,782	312,668	284,930	277,040
Interest and other charges	28,107	58,162	67,277	81,161	93,443	103,027	114,103	127,524	166,885	178,287
AEA flowthrough	275,084	275,399	268,471	264,292	292,000	289,465	269,863	257,585	246,409	230,051
Total expenditures	<u>9,361,716</u>	<u>9,376,534</u>	<u>9,591,156</u>	<u>9,461,877</u>	<u>8,166,512</u>	<u>7,970,201</u>	<u>8,409,957</u>	<u>8,439,502</u>	<u>7,627,654</u>	<u>7,182,569</u>

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
South Hamilton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of South Hamilton Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Hamilton Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Hamilton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Hamilton Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 15-I-A and 15-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Hamilton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

South Hamilton Community School District's Responses to the Findings

South Hamilton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. South Hamilton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Hamilton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 12, 2016

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparation and posting of general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 15-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A Certified Budget: Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts.
- 15-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- 15-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 15-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 15-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2014, was overstated by 1.8 students.
- Recommendation: The District should review its control procedures to ensure accurate counts in the future.
- District Response: We will continue to review our procedures and implement additional controls where possible.
- Conclusion: Response accepted.
- 15-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.
- 15-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 15-II-J Certified Annual Report: The Certified Annual Report was certified timely with the Iowa Department of Education.
- 15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		553,935
Revenues/transfers in:		
Statewide sales, services and use tax revenue	617,974	
Interest	<u>1,267</u>	619,241
Expenditures/transfers out:		
School infrastructure		<u>50,156</u>
Ending balance		<u>1,123,020</u>